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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/769,979	01/25/2001	David A. Seaman	36287-00700	5241
27171	7590	11/02/2007	EXAMINER	
MILBANK, TWEED, HADLEY & MCCLOY			PATEL, JAGDISH	
1 CHASE MANHATTAN PLAZA			ART UNIT	PAPER NUMBER
NEW YORK, NY 10005-1413			3693	
MAIL DATE		DELIVERY MODE		
11/02/2007		PAPER		

**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

<b>Office Action Summary</b>	<b>Application No.</b>	<b>Applicant(s)</b>
	09/769,979	SEAMAN, DAVID A.
	<b>Examiner</b>	<b>Art Unit</b>
	JAGDISH PATEL	3693

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --  
**Period for Reply**

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

#### **Status**

- 1) Responsive to communication(s) filed on 12 September 2007.
- 2a) This action is **FINAL**.                                   2b) This action is non-final.
- 3) Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

#### **Disposition of Claims**

- 4) Claim(s) 1-56 is/are pending in the application.
- 4a) Of the above claim(s) 1-39, 42-46 and 51-56 is/are withdrawn from consideration.
- 5) Claim(s) \_\_\_\_\_ is/are allowed.
- 6) Claim(s) 40, 41 and 47-50 is/are rejected.
- 7) Claim(s) \_\_\_\_\_ is/are objected to.
- 8) Claim(s) 1-56 are subject to restriction and/or election requirement.

#### **Application Papers**

- 9) The specification is objected to by the Examiner.
- 10) The drawing(s) filed on \_\_\_\_\_ is/are: a) accepted or b) objected to by the Examiner.  
 Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
 Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

#### **Priority under 35 U.S.C. § 119**

- 12) Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) All    b) Some \* c) None of:
  1. Certified copies of the priority documents have been received.
  2. Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

#### **Attachment(s)**

- 1) Notice of References Cited (PTO-892)
- 2) Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) Information Disclosure Statement(s) (PTO/SB/08)  
 Paper No(s)/Mail Date \_\_\_\_\_.
- 4) Interview Summary (PTO-413)  
 Paper No(s)/Mail Date. \_\_\_\_\_.
- 5) Notice of Informal Patent Application
- 6) Other: \_\_\_\_\_.

**DETAILED ACTION**

1. This communication is in response to amendment filed 9/12/07.

***Continued Examination Under 37 CFR 1.114***

2. A request for continued examination under 37 CFR 1.114, including the fee set forth in 37 CFR 1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 CFR 1.114, and the fee set forth in 37 CFR 1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 CFR 1.114. Applicant's submission filed on 7/20/07 has been entered.

***Response to Amendment***

3. Claim has been amended. Claims 40,41, and 47-50 are currently pending. The examiner has withdrawn prior art rejection under 35 USC 102 over Garrity reference. The examiner has rejected the pending claims as being non-statutory subject matter in view of the recently issued guidance by the United States Court of Appeals for the Federal Circuit (See *In re Comiskey*).

***Response to Arguments***

4. Applicant's arguments with respect to rejection of claims 40, 41, 47-50 under 35 USC 102 as anticipated by the capped convertible preferred stock described in Garrity article have been found persuasive and have been withdrawn.

***Claim Rejections - 35 USC § 101***

4. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 40,41, and 47-50 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

The subject claims do not require a machine or apparatus such as a computer. These claims evidently do not describe a process of manufacture or a process for the alteration of a composition of matter. Claims 40, 41, and 47-50 recite the mental process of determining a price of the underlying security (defined in the preamble) for the first time, calculating a discounted price of the underlying security and issuing the exchangeable security at the first time for trading. This process claim mental process because the process of the method claim does not use any apparatus and therefore the claims seek to patent the use of human intelligence (or abstract idea) in and of itself. Like the efforts to patent “a novel way of conducting auctions” which Schrader found to be directed to an abstract idea itself rather than a statutory category, the aforementioned claims describe an allegedly novel way of issuing an exchangeable security and are unpatentable. See Schrader, 22 F.3d at 291.

Second, the abstract concept may have a practical application. The Supreme Court has reviewed process patents reciting algorithms or abstract concepts in claims directed to industrial processes. In that context, the Supreme Court has held that a claim reciting an algorithm or abstract idea can state statutory subject matter only if, as employed in the process, it is embodied in, operates on, transforms, or otherwise

involves another class of statutory subject matter, i.e., a machine, manufacture, or composition of matter. The Supreme Court has recognized only two instances in which such a method may qualify as a section 101 process: when the process ‘either [1] was tied to a particular apparatus or [2] operated to change materials to a ‘different state or thing.’

However, mental processes—or processes of human thinking—standing alone are not patentable even if they have practical application. The Supreme Court has stated that “[p]henomena of nature, though just discovered, mental processes, and abstract intellectual concepts are not patentable, as they are the basic tools of scientific and technological work.” Benson, 409 U.S. at 67 (emphasis added). In *Flook* the patentee argued that his claims did not seek to patent an abstract idea (an algorithm) because they were limited to a practical application of that idea—updating “alarm limits” for catalytic chemical conversion of hydrocarbons. 437 U.S. at 586, 589-90. The Court rejected the notion that mere recitation of a practical application of an abstract idea makes it patentable, concluding that “[a] competent draftsman could attach some form of post-solution activity to almost any mathematical formula.” *Id.* at 590.

The instant claims are not either [1] tied to a particular apparatus or [2] operated to change materials to a ‘different state or thing and therefore do not recite a statutory process. Based on the foregoing analysis it is determined that the claims are non-patentable subject matter under 35 USC 101.

***Conclusion***

Any inquiry concerning this communication or earlier communications from the examiner should be directed to JAGDISH PATEL whose telephone number is (571) 272-6748. The examiner can normally be reached on 800AM-630PM Mon-Tue and Thu.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, **KRAMER JAMES A** can be reached on **(571)272-6783**. The fax phone number for the organization where this application or proceeding is assigned is 517-273-8300.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

  
Jagdish N. Patel

(Primary Examiner, AU 3693)

10/29/07